

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7156

BILL NUMBER: HB 1255

DATE PREPARED: Dec 31, 2001

BILL AMENDED:

SUBJECT: Lake County Food and Beverage Tax.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

LOCAL IMPACT	CY 2002	CY 2003	CY 2004
Local Revenues	1,440,600	6,023,900	6,297,300
Local Expenditures			
Net Increase (Decrease)	1,440,600	6,023,900	6,297,300

Summary of Legislation: This bill authorizes Lake County to impose a Food and Beverage Tax to fund a Regional Transportation Authority (RTA.)

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Department of State Revenue (DOR) administers the local Food and Beverage Taxes. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill gives the fiscal body of Lake County the option to adopt an ordinance to impose the 1% Food and Beverage Tax. Upon adoption of an ordinance to the effect, the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue.

If the Food and Beverage Tax is imposed, the RTA would receive payments from the collection of the tax for finance, construction, improvement, equipment, operation, maintenance, and promotion of public transportation in the jurisdiction of the RTA. The RTA would receive monthly payments of the Food and

Beverage Tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the Food and Beverage Tax received by the RTA from the Auditor of State would be placed in the Food and Beverage Tax Receipts Fund (FBTRF) established by the RTA. All revenue in the FBTRF is to be used by the RTA solely for the uses described above.

Explanation of Local Revenues: This bill allows Lake County to adopt a 1% tax on food and beverages prepared and served for sale in Lake County. The estimated revenues are **\$1,440,600** for CY 2002, **\$6,023,900** for CY 2003, and **\$6,297,300** for CY 2004.

Background: According to the most recent U.S. Census data, total food and beverage sales in Lake County for CY 1997 were \$419,562,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$4,195,620, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$4,195,620 projection is added to establish a CY 1997 baseline of \$4,615,182 for Lake County.

The average growth rate of food and beverage-related total sales in Lake County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 4.5%. This rate was used to project sales of food and beverages through CY 2004.

The effective date of the bill is July 1, 2002. As a result, Lake County could begin receiving revenue from food and beverage sales by the fourth quarter of CY 2002. A three-month lag is applied from the effective date of the bill to account for the County to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The actual expected impact for CY 2002 would be one-quarter of the annual projection, or **\$1,440,600**. Complete year collection would begin in CY 2003.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Lake County.

Information Sources: U.S. Census Bureau.